



chs Accy 1, 4

State of Wisconsin

DEPARTMENT OF REGULATION & LICENSING

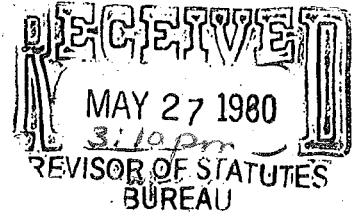
Lee Sherman Dreyfus
Governor

Ann Jansen Haney
Secretary

1400 E. WASHINGTON AVENUE
MADISON, WISCONSIN 53702
(Enter at 77 North Dickinson Street)

CERTIFICATE

STATE OF WISCONSIN)
) SS
ACCOUNTING EXAMINING BOARD)



TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, James B. Bower, secretary of the Accounting Examining Board, and custodian of the official records of said board do hereby certify that the annexed rules relating to rules of conduct and service corporation requirements, were duly approved and adopted by this board on May 23, 1980.

I further certify that said copy has been compared by me with the original on file in this board and that the same is a true copy thereof, and of the whole of such original.

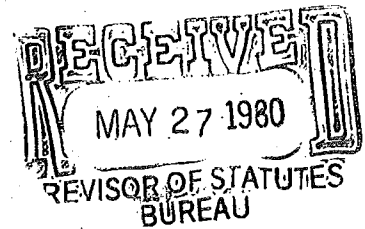
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the board at 1400 East Washington Avenue, Madison, Wisconsin, this 23rd day of May, A.D. 1980.

James B. Bower
James B. Bower, Secretary
Accounting Examining Board

pc6469

Revt. eff. date 8-1-80

STATE OF WISCONSIN
BEFORE THE
ACCOUNTING EXAMINING BOARD



IN THE MATTER OF RULEMAKING : ORDER OF THE ACCOUNTING
PROCEEDINGS BEFORE THE : EXAMINING BOARD REPEALING,
ACCOUNTING EXAMINING BOARD : AMENDING OR ADOPTING RULES

Relating to rules of conduct and service corporation requirements.

Analysis prepared by the Department of Regulation and Licensing.

ANALYSIS

The purpose of the proposed rules is to more clearly define the board's rules of conduct, to modify the form in which the rules appear to make them easier to read; and to indicate in more detail requirements placed on service corporations. Analysis by section follows:

1. Section Accy 1, Subchapter IV is being repealed to eliminate unnecessarily restrictive conditions placed on a certified public accountant's practice. The encroachment provisions in subchapter IV are considered by the board to be anticompetitive.
2. Section Accy 1.101(2)(a) is being substantially reworded and expanded to include trusteeships. The recreated rule more clearly emphasizes the honorary nature of directorships and trusteeships. Certified public accountants are often named to these positions by virtue of their good standing in the community. When serving on boards of directors and trustees, accountants are prohibited from participation in the management of the organizations. This restriction serves to maintain an accountant's independence as required in this chapter.
3. Section 1.101(2)(d)2.(intro.) and d. are amended to make minor grammatical changes and subsections are added to put this section in outline form to clearly list exceptions whereby certain conditions in family relationships do not impair independence nor imply a lack of appearance of independence.
4. Section Accy 1.101(2)(d)2.e. is currently part of Accy 1.101(2)(d)2.d. and is being placed in a separate subsection to signify another general exception under which family relationships do not impair independence.
5. Section Accy 1.101(2)(g) adds a definition of "a person" as it is used in this chapter.
6. Section Accy 1.204(2)(intro.) and (a) are being renumbered Accy 1.201(1)(e)1.(intro.) and a., to place rules in consecutive order.
7. Sections Accy 1, Subchapter V, 1.501 through 1.507 are being renumbered Accy 1.401 through 1.407 and amended to change internal references to other sections and subsections.

3. Sections Accy 1.101(2)(d)2.(intro.) and d. of the Wisconsin administrative code are amended to read:

1.101(2)(d)2.(intro.) Financial and business relationships that may be ascribed to the certified public accountant or public accountant. Family relationships may also involve other circumstances such as those of a close kin in which the appearance of independence is lacking. However, it is not reasonable to assume that all kinships, per se, will impair the appearance of independence since some kinships are too remote. The following are guidelines to specify the effect of kinship on the appearance of independence:

d. Geographical separation from the close kin and infrequent contact may mitigate such impairment except with respect to:

1. a A partner working on participating in the engagement or located in the an office responsible for participating in a significant portion of the engagement,

2. a A partner in the same office or one who maintained close personal relationships with partners working on participating in a significant portion of the engagements engagement,

3. a A partner who, as a result of the his or her administrative or advisory positions, is involved in the engagement, or

4. a A staff member participating on in the engagement or located in the an office responsible for participating in a significant portion of the engagement.

e. If a certified public accountant or public accountant does not or could not reasonably be expected to have knowledge of the financial interests, investments and business relationships of close kin, such lack of knowledge would preclude the impairment of serve to maintain his or her objectivity and appearance of independence.

4. Section Accy 1.101(2)(g) of the Wisconsin administrative code is created to read:

(g) Application of Accy 1.101 to professional personnel. The term "a person" as used in the first sentence of Accy 1.101 means:

1. All partners or shareholders in the firm and

2. All full-time and part-time professional employees, including those employees qualified in other professions, participating in the engagement or located in an office participating in a significant portion of the engagement.

5. Sections Accy 1.204(2)(intro.) and (a) of the Wisconsin administrative code, are renumbered Accy 1.201(1)(e)1.(intro.) and (a) and amended to read:

1.201(1)(e)1.(intro.) Interpretation of Accy ~~1-204~~ 1.201(1)(e), not intended to be all-inclusive, are as follows:

(2) Interpretations of Accy 1-503 1.403, not intended to be all-inclusive, are as follows:

11. Section Accy 1, Subchapter IV, 1.403(2)(a) of the Wisconsin administrative code is amended to read:

(a) Fees in payment for services. Accy 1-503 1.403, which prohibits payment of a commission to obtain a client, was adopted to avoid a client's having to pay fees for which he or she did not receive commensurate services. However, payment of fees to a referring certified public accountant or public accountant for professional services to the successor firm or to the client in connection with the engagement is not prohibited.

12. Section Accy 1, Subchapter IV, 1.405(3) of the Wisconsin administrative code is amended to read:

(3) Interpretations of Accy 1-505 1.405, not intended to be all-inclusive, are as follows:

[1.40] GHP
13. Section Accy 1.501(2)(d) of the Wisconsin administrative code is created to read:

(d) Discrimination in employment practices. Discrimination based on race, color, religion, sex, age or national origin in hiring, promotion or salary practices is presumed to constitute an act discreditable to the profession in violation of Accy 1.501.

[1.401] GHP
14. Section Accy 1.501(2)(e) of the Wisconsin administrative code is created to read:

(e) Engagements obtained through efforts of third parties. Certified public accountants and public accountants are often asked to render professional services to clients or customers of third parties. Such third parties may have obtained such clients or customers as the result of their advertising and solicitation efforts.

1. Certified public accountants or public accountants are permitted to enter into such engagements. The certified public accountant or public accountant has the responsibility to ascertain that all promotional efforts are within the bounds of the rules of conduct. Such action is required because the certified public accountant or public accountant will receive benefits of such efforts by third parties, and certified public accountants and public accountants may not circumvent any rule of conduct by use of third parties.

15. Section Accy 4.10(1) of the Wisconsin administrative code is amended to read:

(1) A service corporation, being a separate entity in its own right, must be registered as a firm if it is to practice in Wisconsin. Such service corporations must be incorporated and appropriately registered under Ch. 180, Wis. Stats., and be licensed as a firm to practice in Wisconsin.